



Emergency Committee for American Trade

**TESTIMONY OF
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AND
CHAIRMAN, EMERGENCY COMMITTEE FOR AMERICAN TRADE
BEFORE THE U.S. SENATE COMMITTEE ON FINANCE**

**HEARING ON TRADE PROMOTION AUTHORITY
June 20, 2001**

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to be here today.

I am Terry McGraw, Chairman and Chief Executive Officer of The McGraw-Hill Companies.

I am here today as Chairman of the Emergency Committee for American Trade – ECAT – an association of the chief executives of major American companies with global operations who represent all principal sectors of the U.S. economy. ECAT was founded more than three decades ago to promote economic growth through expansionary trade and investment policies. Today, the annual sales of ECAT companies total more than \$1.5 trillion, and the companies employ approximately 4.5 million people.

The McGraw-Hill Companies is a global content provider headquartered in New York. We employ 17,000 people in more than 300 offices in 32 countries worldwide. You know us best through the McGraw-Hill imprint in education, Standard and Poor's, and *Business Week*.

TRADE PRODUCES ENORMOUS BENEFITS FOR THE U.S. ECONOMY, U.S. COMPANIES, THEIR WORKERS AND THEIR FAMILIES

The United States faces crucial choices in 2001 on whether our trade and investment policies will continue to support our economic growth and improve our already high standard of living. Over the last century, the United States, now the world's largest trading nation, has enjoyed enormous prosperity in large part because of the open trade policies it adopted following the Great Depression, starting with the Reciprocal Trade Agreements Act in 1934. Over the last decade alone, trade has accounted for approximately one-quarter of U.S. economic growth and has contributed significantly to the high standard of living enjoyed by American workers and their families. Imports have improved the variety, quality and availability of products throughout the United States, have increased the competitiveness of U.S. companies, and have been a significant factor in dampening inflationary pressures.

Jobs directly supported by exports reached 12.1 million in 2000, 2.9 million more than in 1990. These jobs pay between 13 percent and 18 percent more on average than other jobs. Imports help support another 10 million domestic jobs.

Nor have increasing trade deficits cost U.S. jobs. U.S. unemployment has fallen steadily from 7.5 percent in 1992 to about 4 percent today, while trade deficits over the same period grew by nearly 300 percent. As the United States undertook significant trade liberalization through the NAFTA and the Uruguay Round, total U.S. employment grew by 22 million jobs between 1990 and 2000, and U.S. average per capita real income rose by 26 percent over the same period.

According to economic analyses by the Office of the United States Trade Representative, NAFTA and the WTO combined have increased U.S. national income by \$40 billion to \$60 billion a year. Combined with the lower prices that the reduction in import barriers provides, the income gain for American families equals \$1,000 to \$1,300 a year from these two agreements.

Also consider that:

- One in three acres is planted for export.
- Almost one in every six manufactured products is exported abroad.
- In The McGraw-Hill Companies' own domain – services, the United States is the leading provider. In the year 2000, U.S. services exports grew \$23 billion to a total of \$295 billion. Currently, 18 percent of our revenues come from foreign sources; our goal is to double that number in the next five years.

In this time of economic slowdown and uncertainty, the impulse to close our markets can gain strength. Yet surely, the United States, which has a competitive advantage in so many products and services, ought to be hopeful rather than fearful about the effects of more open trade.

We live and compete in a global economy. And most importantly, the key trends driving the global economy are those that American public and private sector leaders have been championing for decades:

- Freedom
- Competition
- Growth

The United States has an economic, political and moral obligation to keep moving forward to liberalize trade. It can play a leadership role in shaping and propelling negotiations globally, in the Western Hemisphere, in the Asia-Pacific and bilaterally throughout the world. And that means building a consensus behind expanded trade as a vehicle for prosperity here and for greater economic growth and freedom around the world.

CRITICAL CHOICES

Yet, U.S. trade policy is at a crossroads. The post-World War II consensus on the value of liberalizing trade and investment policies has been shaken in recent years as is most evident from Congress' failure to renew Trade Promotion Authority (TPA), so-called trade-negotiating authority legislation or fast track, since its expiration in 1994. The failure to renew trade-negotiating authority is particularly striking. As you all know well, this legislation was authored by your predecessors on this Committee, led by then-Chairman Russell Long, in the early 1970's following the failure of the U.S. Congress to implement in legislation the GATT Kennedy Round Agreements. It is a process that allows the Executive and Congress to work together to bring down foreign barriers to trade and investment and to open opportunities for U.S. companies, their workers and their families.

Enacted as part of the Trade Act of 1974, trade-negotiating authority was renewed by Congress on a bipartisan basis for almost 20 years, with both Republican and Democratic Presidents. The forerunner to the modern fast-track procedures contained in the Trade Act of 1974 was tariff proclamation authority which had been granted to all presidents by Democratic and Republican Congresses, almost continuously since the Reciprocal Trade Agreements Act of 1934. Even that is no longer provided to the President except for some limited leftover authority contained in the Uruguay Round Agreements Act.

Last year, Mr. Chairman, you, Senator Grassley and others in the House and the Senate working on a bipartisan basis were able to achieve some crucial victories on trade:

- Congress overwhelmingly supported Permanent Normal Trade Relations with China.
- It also reached a broad consensus on unilateral preferences for Africa and the Caribbean Basin.

We at ECAT very much appreciate all of your work on those and other matters. Indeed, the 106th Congress passed more trade legislation than any other Congress in the last decade; but it did not pass, nor did it even consider, TPA legislation.

Clearly much more remains to be done.

TPA IS A KEY TOOL TO ADVANCE U.S. TRADE

Mr. Chairman, Members of the Committee, we at ECAT believe that it is critical for the United States to rebuild the national and bipartisan consensus on the value of trade and investment liberalization. It is the only way that the United States can move forward and promote trade policies that continue to support economic growth and a high standard of living.

One key component of that consensus should be the bipartisan renewal of TPA legislation in 2001. There are three primary reasons that I want to work with the Administration and all Members of Congress on the bipartisan renewal of trade promotion authority this year: (1) to restore U.S. leadership on trade internationally; (2) to help promote economic growth and create concrete opportunities for American companies, their workers and their families; and (3) to ensure effective collaboration between the President and Congress in the formulation of trade policy here at home.

Restoring U.S. Leadership

Following their experience in the Kennedy Round GATT negotiations and the adoption of the trade-negotiating authority procedures in 1975, U.S. trading partners have generally supported, indeed sought, assurances that such authority would be available to implement future trade agreements. Although only technically necessary to facilitate implementation of a final agreement by Congress, these procedures have taken on a much greater role in the eyes of U.S. trading partners, many of which have refused to take U.S. negotiators seriously (particularly in the context of multilateral negotiations) since this authority expired. Consider the case of Chile, which for years refused even to negotiate with the United States without TPA. I am pleased that negotiations have actually been restarted and hope that a final agreement can be implemented under Congressionally-approved TPA.

Other countries have used the expiration of this legislation as an excuse to stall negotiations and not make important concessions. Other Latin American countries, particularly Brazil, have other priorities, and appear only too willing to let negotiations for a Free Trade Area of the Americas move slowly while they consolidate their own preferential trade arrangements.

Timely renewal of such authority is so important, therefore, to give U.S. negotiators the clout necessary to extract meaningful concessions and successfully conclude negotiations.

Promoting Economic Growth and Opportunities

U.S. leadership on trade is not, of course, an end in itself. U.S. leadership is essential to ensure that trade and investment liberalization supports U.S. economic growth and concrete opportunities for U.S. companies, their workers and their families.

If the United States does not play a leadership role in new negotiations, then much of the impetus for negotiations in the Western Hemisphere and in the WTO will be gone. Without those negotiations, we will find it more difficult to open new markets, to reduce barriers, and to support the economic growth and standard of living that we have enjoyed in this country.

In the Western Hemisphere alone, the loss of these opportunities is enormous: The FTAA could join a population of 800 million, with a combined GDP of approximately \$11 trillion. Yet, many of these countries maintain some of the highest tariff and non-tariff barriers in the world today. The United States' lack of trade promotion authority is one of the major reasons that Brazil has cited for its reluctance to enter into serious FTAA negotiations, which would reduce and eliminate tariff and non-tariff barriers.

In the high tech sector, for example, only three countries in Latin America (Panama, Costa Rica and El Salvador) have signed onto the WTO Information Technology Agreement, which is likely to be included in the FTAA negotiations. For example, Brazil, with the eighth largest economy in the world, maintains tariffs of nearly 35 percent on Information Technology products. Even Mexico imposes 20 percent external tariffs on imports from non-NAFTA countries.

The United States has also effectively sat on the fence since 1993 when it comes to new trade-liberalizing free trade agreements. There are now 134 free trade agreements in force around the world. The United States is a party to only two. While over 300 “trade agreements” were negotiated between the expiration of trade-negotiating authority in 1994 and today, they are not the type of broad free trade agreements that achieve the most significant liberalization. This is not to understate the importance of several of these agreements, such as the U.S.-China Bilateral Agreement on Market Access (1999) (which required separate legislation to implement) or the Information Technology Agreement (which was negotiated pursuant to residual tariff proclamation authority) or the WTO Financial Services Agreement and the WTO Agreement on Global Telecommunications (which required no changes to U.S. law).

At the same time, free trade agreements with preferential rules that exclude the United States have sprung up throughout Latin America and in Europe and elsewhere. U.S. exporters are severely disadvantaged because their products are now subject to higher relative tariffs and other barriers, which their competitors’ governments have been able to negotiate away.

Consider the case of Chile, which is an associate member of MERCOSUR and has free trade agreements with Canada, Mexico, Venezuela, and Colombia. It has begun trade agreement talks with the EU and South Korea and is exploring the possibility of negotiations with New Zealand, Singapore and Japan. Since the United States and Chile have failed to negotiate a free trade agreement, Chile maintains a 9 percent tariff on virtually everything we ship. That means U.S. exporters suffer a 9 percent price disadvantage compared to our competitors from Canada, Mexico and Chile’s other free trade partners. This affects every exporter to Chile and reduces American companies’ ability to do business.

This price disadvantage has severely affected U.S. agricultural exporters who have had deficits with Chile over the past several years. Notably, in 1996, the United States exported \$4.132 billion of goods to Chile. By the end of 2000, U.S. exports had dropped to \$3.455 billion. While other economic factors have affected U.S. exports, the tariff disadvantage we face in the Chilean market severely disadvantages our exporters, their workers and their families.

We very pleased that the Administration has resumed bilateral negotiations for a free trade agreement with Chile. Until that agreement is finalized and implemented, however, U.S. exporters must either try to compete from a severe price disadvantage or, for those companies with operations in other countries, ship products from Canada and Mexico or Chile’s other free trade agreement partners, rather than the United States.

The failure to complete and implement these negotiations – not renewal of TPA itself – results in the loss of opportunities not only for U.S. companies, but also their U.S. workers and their families.

An issue of great concern to content providers such as The McGraw-Hill Companies is piracy of our intellectual property. Piracy of intellectual property – including motion pictures, music recordings, software and books – totaled over \$8.7 billion in 1999. Sticking with Brazil, a country that has been placed on the U.S. Trade Representative's Priority Watch List, piracy of intellectual property totaled almost \$920 million in 1999. Piracy of books in Brazil alone cost our industry almost \$20 million that year.

In March, law enforcement officials in Korea announced the discovery of some 600,000 counterfeit English-language books with an estimated value in excess of \$14 million. The counterfeit books comprising some 2,000 separate titles run the gamut from popular best-selling fiction, to college textbooks, to reference and professional works. These books were in a warehouse belonging to Han Shin, one of the oldest book distributors in Korea. The raid on Han Shin underscores the fact that pirates are no longer fly-by-night operators requiring only a storefront and a photocopying machine, but have evolved into sophisticated high-tech enterprises that pose an even greater threat to legitimate publishers.

In education, the leaders of emerging economies recognize that knowledge is power, and are stepping up their efforts to create an educated workforce that can effectively compete in the world economy. For McGraw-Hill Education to succeed, we must have worldwide protection for the intellectual property we create – whether in electronic or print format – and we must have equal, non-discriminatory access to new markets.

Business Week is the fastest-growing English-language publication outside the U.S. But for *Business Week* and our other business information products to continue to grow overseas, tariff and non-tariff barriers must fall.

To serve these new markets, we must be able to compete with our foreign rivals on the same terms in their home markets. In the world of electronic commerce, for us, that means the United States having a seat at the table, negotiating bilateral and multilateral agreements that assure strong protection for intellectual property and barrier-free e-commerce.

In addition, the globalization of the capital markets – both debt and equity – demands greater transparency and openness among countries and companies. I am proud of the critical role Standard & Poor's plays in facilitating access to capital through its ratings of public and private sector entities. Importantly, trade liberalization supports the drive to create more open, fair financial systems, which provides important opportunities for U.S. firms that have the knowledge, tools and accept to capital required by many developing countries.

Restoring the Executive-Congressional Partnership on Trade

The third reason we are strongly supporting renewal of TPA this year is the vital role that TPA plays in advancing Executive-Congressional collaboration on trade policy. Prior trade-negotiating authority procedures laid out specific negotiating objectives developed by Congress and required the Administration to consult extensively with Congress and seek Congressional input on the conduct of trade negotiations. It has served as an extremely important mechanism for the Executive and Legislative branches to come together to reach agreement on U.S. trade policy objectives and trade pacts over the last two decades.

Trade promotion authority is not, as some would characterize it, a “grant” of negotiating authority to the President. The President already has the Constitutional authority to negotiate with foreign nations, while the Constitution has granted Congress the authority to “regulate Commerce with foreign nations.” TPA actually facilitates both the Administration’s and Congress’ ability to fulfill their constitutional roles. There may certainly be ways to improve this collaboration, but the basic model is sound.

PRINCIPLES TO RETAIN

We at ECAT are committed to working with the Administration and all Members of Congress in both Houses to support efforts for the passage of TPA. We recognize, however, that as an Executive-Congressional process, trade promotion authority is largely a negotiation between the Administration and Congress. As your negotiations continue on the contours of this authority, there are, however, two substantive principles that we at ECAT believe must be retained from previous legislation in order for this year’s efforts to be successful: (1) negotiating flexibility without mandated outcomes from the negotiations themselves; and (2) the three procedural guarantees that have governed trade-negotiating authority since its inception.

No Mandatory Outcomes

Since its original enactment as part of the Trade Act of 1974 until its expiration in April 1994, trade negotiating authority has laid out general and specific negotiating objectives for multilateral and bilateral negotiations and included numerous procedures to promote consultations and collaboration between the Executive and Legislative branches. During its almost 20-year history, however, such authority has never once *mandated* any particular outcome from the negotiations. That is, the application of TPA has never been made contingent on either the inclusion or the exclusion of any particular provisions in a final trade agreement. Rather, TPA has consistently provided U.S. negotiators with the flexibility to negotiate the best agreements possible in consultation with Congress.

To change course and mandate or proscribe any particular outcome would tie the hands of U.S. negotiators and would undermine our ability to even launch negotiations as other governments may well adopt a similar approach, trying to rule out or rule in certain issues before the negotiations even begin. It would, I believe, be an even greater barrier to forward momentum on trade liberalization than no trade promotion authority at all since some countries would likely flatly refuse to even negotiate with the United States depending upon what was mandated.

We should not, for example, use trade promotion authority to mandate the inclusion or exclusion of labor and environment issues in all trade agreements. There remains much disagreement in the developing world, not to mention in the United States, over how to address these issues. Mandating the inclusion of labor, environmental, or other particular issues as a condition for the application of TPA will impede, rather than promote, the very trade liberalization and economic growth that support the adoption of higher standards throughout the world. The same can be said about mandating or proscribing the inclusion of any particular provision.

Starting down this road would also greatly complicate Congress' consideration of TPA. Like the Smoot-Hawley Tariff Act of 1930, there would be pressure from a myriad of different interests would likely seek to mandate the inclusion or exclusion of particular provisions.

It is vital, therefore, that the final TPA legislation maintain the traditional negotiating flexibility contained in all prior approvals of this authority, without mandating or proscribing particular outcomes.

Procedural Guarantees

Trade promotion authority from its inception has been defined as providing three key procedural guarantees for Congressional consideration of bills implementing trade agreements: (1) an up-or-down vote within a time certain; (2) limited debate; and (3) no amendments to the implementing legislation.

We in the business community recognize the importance of Executive-Congressional negotiations on the contours of this legislation. I would, however, offer one brief comment on the importance of maintaining these guarantees. The essence of these procedural guarantees is that Congress agrees to vote on the implementing legislation on a date certain without amendment. It is that principle for which our trading partners seek assurances. Without maintaining that principle, there is no guarantee that Congress will consider the legislation or that Congress will vote in the end on legislation to implement the agreement actually negotiated. This is the essence of TPA that we believe should be retained. Whether an agreement is in our national interest needs to be addressed by looking at the whole package.

That being said, we at ECAT recognize that there may be other changes that can improve the operation of these procedures, such as to promote greater Executive-Congressional collaboration or the ability of all Members of Congress to voice their opinion about the legislation by extending for instance the actual length of time for debate. We look forward to learning of your proposals.

ADDRESSING CONCERNS ABOUT TRADE LIBERALIZATION

We in the business community also recognize that there are issues beyond trade that are of concern to U.S. workers and their families that have become involved in this debate. From ECAT's perspective, we agree that there are serious labor, environmental, and other issues that need to be addressed in the international context. Before rushing to adopt solutions that may not

be effective, however, it is critical that policymakers first work to define the United States' objectives in these areas and then determine how they can best be achieved.

As the World Bank and others have documented, it is precisely through increased trade and economic growth that developing countries are better able and increasingly motivated by a growing middle class to improve labor and environmental standards. Since World War II, the liberalization of trade has produced a six-fold growth in the world economy and a tripling of per capita income and enabled hundreds of millions of families to escape from poverty and enjoy higher living standards. A recent World Bank study shows that developing countries that participate actively in trade grow faster and reduce poverty faster than countries that isolate themselves. In the 1990s, per capita incomes grew 5.1 percent in developing countries with high trade and investment flows, while more isolated countries saw incomes decline by 1.1 percent.

If we care about improving standards and the environment in these countries, impeding trade liberalization is not the answer.

Mr. Chairman, Members of the Committee. Most business leaders are practical people who generally approach issues without pre-existing ideologies. From my perspective, the way forward on these issues is to first reach consensus on what our objectives are in the international labor and international environment arenas – just as ECAT supports doing with respect to our trade and investment objectives.

After identifying and prioritizing our labor and environmental objectives, we need to identify the right solutions for each. My initial view is that – for the most part – these issues are best addressed through their own agendas in organizations with the appropriate technical expertise and not as add-ons to the trade agenda. Much, for instance, is already being done at the International Labor Organization, the NAFTA Commission for Environmental Cooperation and elsewhere. Those efforts can be intensified. For example, if our priority is to ensure clean water and sewage treatment along the Southwest border, would not increased funding of the North American Development Bank and similar activities be more fruitful than imposing sanctions on Mexico?

These issues are complex and some solutions that have been offered in the trade arena are counterproductive. Particularly compelling is the case of exploitative child labor. The International Labor Organization's International Program for the Elimination of Child Labor (IPEC), with significant financial support from the United States, is engaged in serious work to address child labor problems in several key countries -- countries like India and Pakistan that will not come to the table in a trade negotiation to talk about labor issues.

The ILO's approach is based on almost a century of experience and recognizes not only the problem, but also its causes. IPEC has provided substantial support to many children and their families in a positive manner and does not, as some suggested solutions in this area have, result in moving children from one form of employment to another even less desirable sector. The 1999 Convention on the Worst Forms of Child Labor is already the fastest-ratified in ILO history; it has been ratified by 78 countries, including the United States. We are, therefore, very supportive of the Administration's interest in strengthening the ILO. We also strongly support Congressional efforts to restore full funding or even increase funding to the ILO this year.

Now, there will undoubtedly be cases, where our labor and/or environment and our trade goals complement one another. In such cases of complementarity, we should support both sets

of goals in a cooperative and trade-liberalizing way. Consider the issue of agricultural subsidies in China, which have a devastating impact on water and land resources in that country. It is important for both trade and environmental reasons to help China end the use of such subsidies and to open its market to agricultural imports. This is an area of complementarity. Another obvious area is the issue of tariffs on environmentally-clean technologies. Reducing tariffs and promoting trade in these items will have a positive environmental impact throughout the world.

There is also careless rhetoric about the impact of American business expanding into certain markets. I have traveled extensively to developing markets. These countries and their citizens overwhelmingly want U.S. businesses to locate there. They provide better jobs, better working conditions and higher wages than their neighbors working for home-based companies.

We should also not underestimate the role and the effectiveness of the NGOs in monitoring and affecting bad working conditions and environmental concerns.

Linkages Must Be Positive; Sanctions Are Counterproductive

Two final points on these linkages. First, I and my fellow CEOs feel very strongly that any linkages with labor and/or the environment should, for the most part, be positive and non-punitive. Sanctions are too often ineffective and counterproductive. Let me offer a few reasons:

- The practical – most countries that have labor and environmental problems that we want to address will simply not accept trade sanctions as part of a trade agreement. For many of these countries, which are also reluctant to open their economies, it is viewed as another reason to avoid new negotiations.
- The impact – trade sanctions target export industries, which oftentimes have the highest labor and environmental standards as a result of the involvement of U.S. companies. Trade sanctions would undermine precisely those industries and the examples they set.
- The result – such sanctions are largely counterproductive. By impeding economic growth and trade liberalization, sanctions limit the ability and motivation of countries to increase such standards.

As I discussed earlier, we at ECAT believe there are many positive ways to address international labor and environmental issues. We are very interested, for example, in seeing many of the parallel policies on labor and environment highlighted by the Administration and the New Democrats in their TPA proposals implemented. It is frankly through those positive policies, such as technical assistance and incentives, that much of the best work can be done.

Review and Transformation of the Trade Adjustment Assistance Programs

Second, we should address U.S. workers' anxieties about trade directly – through the reauthorization and transformation of the Trade Adjustment Assistance (TAA) programs to address more fully the needs of today's workers. Despite the importance of trade and investment liberalization in supporting economic growth and a high standard of living in the United States, there remains much skepticism on whether the United States should continue to pursue liberalized trade and investment. In a recently published book, *Globalization and the*

Perceptions of American Workers, Drs. Kenneth Scheve and Matthew Slaughter review public opinion surveys dating back to the 1930s documenting this uncertainty. Their review indicates that while a large majority of Americans acknowledge the gains from globalization, a plurality to a majority are worried about the impact of trade and globalization on labor issues, particularly lower wages and the loss of jobs in this country.

The original TAA programs for workers and for firms were enacted as part of the Trade Expansion of 1962. These programs were premised on the recognition that while trade liberalization supports economic growth and prosperity for the United States as a whole, certain workers and companies may be adversely affected by the adjustment to trade liberalization. The TAA for Workers and the TAA for Firms programs enacted in 1962 were last modified in any significant manner as part of the Trade Act of 1974.

The third TAA program, NAFTA-TAA for Workers, was enacted as part of the NAFTA Implementation Act in 1993 and is focused on workers adversely impacted by trade with Canada and/or Mexico. The NAFTA Implementation Act also established a fourth program, the Community Adjustment and Investment Program (CAIP), to provide funds for community adjustment and investment.

As the U.S. economy has changed considerably since the enactment of the original TAA programs, so have the needs of the U.S. workforce, particularly as technological development accounts for a substantial proportion of the dislocations experienced in the U.S. workforce. It is imperative that expanded efforts be undertaken to educate and empower the U.S. workforce by providing the necessary tools, opportunities, and assistance to facilitate the transition and ensure the health and success of the U.S. economy. ECAT supports, therefore, an extensive review and transformation of these programs.

While there is no lack of support for the objective of these programs, support for the extension of the TAA programs has declined in recent years as complaints have grown over the effectiveness and proper role of these programs. Last year, this Committee requested the General Accounting Office (GAO) to perform a comprehensive review of the three primary TAA programs and the CAIP in 2000.

The GAO's initial reports confirm some of the concerns over the TAA programs that have been raised in recent years. In its October 2000 report, *Trade Adjustment Assistance: Trends, Outcomes, and Management Issues in Dislocated Worker Programs*, the GAO found that 75 percent of TAA beneficiaries in FY 1999 were able to find follow-up employment, but only 56 percent of those workers earned 80 percent or more of their prior wage. While training improved wage and employment outcomes for workers, training rates have declined substantially in the 1990s (from 31 percent of eligible workers in FY 1995 to 18 percent in FY 1999). Some states have suspended training and established waiting lists because of Labor Department funding delays. Differing eligibility rules between the general TAA for Workers and the NAFTA-TAA programs also impede the provision of assistance, as do time limits on training.

GAO's review of the TAA for Firms program and the CAIP illustrated even greater concerns. In its December 2000 report, *Trade Adjustment Assistance: Impact of Federal Assistance to Firms is Unclear*, the GAO was unable to determine the impact of these programs since there is no formal monitoring and tracking of program results, as well as limited funding. In its September 2000 report on the CAIP, *Trade Adjustment Assistance: Opportunities to Improve the Community Adjustment and Investment Program*, the GAO found significant

managerial deficiencies and inefficiencies that delayed implementation of the program for more than three years and continue to delay approval of loans and grants. Eligibility procedures are complex and appear to undercount dislocated workers. Furthermore, notification and outreach to communities designated as eligible are very limited, further undermining the ability of this program to address the adjustment needs of communities and workers. Since 1997, the CAIP provided \$257 million in loan guarantees, loans and grants to 83 of the 228 eligible communities. Like the TAA for Firms program, GAO found that the CAIP lacks any monitoring system and, therefore, was unable to determine whether distributed grants and loans have been effective.

This year provides an important opportunity for engaging in an extensive review and transformation of the TAA programs to address more fully the needs of today's workers. I understand that there continues to be much work by this Committee on trying to move forward on these issues. Many scholars and others are also working on ways that this can be done, with various proposals on expanding TAA to address technology-based dislocations, wage insurance, and/or health care portability.

Nor is this solely the role of the Federal Government. The McGraw-Hill Companies and other ECAT member companies are actively involved and commit significant resources to our own education and retraining efforts to address the needs of today's workforce. We have focused on continued education and intensive retraining through the use of community colleges, the Internet, our own McGraw-Hill Lifetime Learning training modules and other education resources. These programs, in conjunction with government efforts, represent an important facet of worker readjustment efforts.

CONCLUSION

Mr. Chairman, Members of the Committee. Trade and investment expansion are critical to the prosperity of the United States and trade promotion authority is an important tool to continue that expansion in the interest of all Americans.

One last point. After an incredible period of sustained economic growth, business is facing economic pressure not felt in some time. Consequently, it is more important and timely than ever that we rededicate ourselves to expansionary trade practices and open markets so that the promise of the global economy can be made fully available to U.S. business and workers as well as our counterparts elsewhere.

My fellow ECAT CEOs and I are committed to ensuring that the United States regains its leadership role on trade and pursues aggressively trade-liberalizing opportunities throughout the world. President Clinton should have had Trade Promotion Authority, President Bush needs it and future presidents deserve it. I hope we can establish bipartisan consensus and provide our President and Congress with the power to expand opportunities for American business, workers and their families. I look forward to working with each of you and the Administration in your efforts to enact TPA this year. Differences don't have to mean deadlock.

I appreciate the opportunity to appear before you today on behalf of ECAT.